COMMUNITY TELEVISION FOUNDATION OF SOUTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

June 30, 2012 and 2011

COMMUNITY TELEVISION FOUNDATION OF SOUTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
June 30, 2012 and 2011

TABLE OF CONTENTS

	PAGES
F I N A N C I A L S T A T E M E N T S	
Independent Auditors' Report	1-2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4-5
Consolidated Statements of Cash Flows	6-7
Notes to Consolidated Financial Statements	8-22
S U P P L E M E N T A L I N F O R M A T I O N	
Supplementary Consolidating Schedule - Statement of Financial Position	23
Supplementary Consolidating Schedule - Statement of Activities	24
Supplementary Consolidating Schedule - Statement of Cash Flows	25-26
I N T E R N A L C O N T R O L S A N D C O M P L I A N C E	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	27-28

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Television Foundation
of South Florida, Inc. and Affiliates
Miami, Florida

We have audited the accompanying consolidated statements of financial position of Community Television Foundation of South Florida, Inc. and Affiliates (the "Foundation") as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2012 and 2011, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2012 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the Foundation taken as a whole. The other financial information contained on pages 23 through 26 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
October 22, 2012

COMMUNITY TELEVISION FOUNDATION
OF SOUTH FLORIDA, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

A S S E T S

		2012		2011
CURRENT ASSETS:				
Cash and cash equivalents	$	893,649	$	1,474,733
Receivables, net of allowance for doubtful accounts of $ 24,100 and $ 9,137 in 2012 and 2011, respectively		472,838		329,762
Prepaid expenses and other assets		197,993		211,100
Program broadcast rights, net of amortization		881,032		901,231
Total current assets		2,445,512		2,916,826
Other assets		39,913		50,148
Investments		20,876,956		21,192,781
Cash surrender value and premiums receivable on life insurance policies		863,037		876,743
Program broadcast rights, net of amortization, noncurrent portion		436,791		420,886
Property and equipment, net		8,229,949		9,497,103
Total assets	$	32,892,158	$	34,954,487

L I A B I L I T I E S   A N D   N E T   A S S E T S

		2012		2011
LIABILITIES:				
Current liabilities:				
Accounts payable		636,582		331,646
Accrued expenses		510,860		549,951
Current portion of pension liability		861,760		752,195
Refundable program advances		149,707		327,587
Program broadcast rights payable		73,681		32,890
Present value of annuity obligations		171,953		169,631
Line of credit		1,500,000		150,000
Capital lease payable		37,694		-
Total current liabilities		3,942,237		2,313,900
Borrowings with financial institution		3,399,148		3,451,669
Deferred compensation payable		228,476		254,764
Present value of annuity obligations		1,572,926		1,565,773
Pension liability, due beyond one year		3,321,351		2,060,768
Program broadcast rights, due beyond one year		29,025		-
Capital lease payable, due beyond one year		141,601		-
Total liabilities		12,634,764		9,646,874
NET ASSETS:				
Unrestricted:				
Board designated		4,842,478		10,502,898
Undesignated		4,468,632		3,858,527
Temporarily restricted		4,170,992		4,170,896
Permanently restricted		6,775,292		6,775,292
Total net assets		20,257,394		25,307,613
Total liabilities and net assets	$	32,892,158	$	34,954,487

The accompanying notes to consolidated financial statements are an integral part of these statements.

COMMUNITY TELEVISION FOUNDATION
OF SOUTH FLORIDA, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
June 30, 2012 and 2011

	2012	2011
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues, gains and other support:		
Contract productions	$ 2,108,235	$ 1,976,745
Contributions and bequests	4,749,665	4,535,437
Satisfaction of program restrictions	298,831	252,003
Corporation for Public Broadcasting:		
Community Service Grant	1,670,446	2,056,670
Capital and Other Federal Grants	82,010	354,321
State of Florida Department of Education:		
Community Service Grant	-	434,837
Capital Grants	169,000	132,346
Program underwriting	987,292	1,064,476
Interest income	395,665	362,707
Other	204,874	159,786
Gain on sale of property	400,942	-
Net realized gain on sale of investments and equipment	26,168	12,882
Net unrealized gain on investments	38,432	2,586,205
Total revenues, gains and other support	11,131,560	13,928,415
Operating expenses:		
Program production, acquisition and delivery	9,299,978	9,476,585
Development and marketing	3,156,914	3,062,955
General and administrative	1,619,874	1,767,699
Interest expense	126,317	63,640
Total operating expenses	14,203,083	14,370,879
Nonoperating expenses:		
Required recognition of loss as a result of partial settlement of employee benefit plan	(1,470,771)	-
Change in unrestricted net assets from continuing operations	(4,542,294)	(442,464)
Discontinued operations (Note 17):		
Loss from operations of discontinued program	-	(11,904)
Gain on disposal of program	-	5,004,040
Change in unrestricted net assets from discontinued operations	-	4,992,136
Change in unrestricted net assets	(4,542,294)	4,549,672

The accompanying notes to consolidated financial statements are an integral part of these statements.

COMMUNITY TELEVISION FOUNDATION
OF SOUTH FLORIDA, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
June 30, 2012 and 2011
(continued)

	2012	2011
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions and bequests	39,600	42,000
Interest income	148,301	139,737
Net unrealized gain on investments	56,627	654,845
Change in present value of annuity obligations	1,064	25,661
Net assets released from restrictions	(298,831)	(252,003)
Net realized gain on sale of investments	53,335	5,181
Change in temporarily restricted net assets	96	615,421
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS:		
Contributions and bequests	-	70,015
Change in permanently restricted net assets	-	70,015
Change in total net assets	(4,542,198)	5,235,108
PENSION LIABILITY ADJUSTMENT	(508,021)	473,425
NET ASSETS, beginning of year	25,307,613	19,599,080
NET ASSETS, end of year	$ 20,257,394	$ 25,307,613

The accompanying notes to consolidated financial statements are an integral part of these statements.

COMMUNITY TELEVISION FOUNDATION
OF SOUTH FLORIDA, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING ACTIVITIES:		
Cash received from supporters and customers	$ 9,500,758	$ 12,026,305
Interest received	552,407	429,040
Interest paid	(116,605)	(52,899)
Cash paid to acquire programs	(2,057,626)	(2,164,245)
Cash paid for support services, to suppliers and employers	(10,626,326)	(11,849,021)
Net cash used in operating activities	(2,747,392)	(1,610,820)
INVESTING ACTIVITIES:		
Net proceeds from sale of land	1,073,185	-
Net proceeds from disposal of discontinued operations	-	5,004,040
Cash received from sales or maturities of investments	1,865,497	2,599,110
Cash paid for property and equipment	(813,525)	(860,953)
Cash paid for investments	(1,435,624)	(5,146,935)
Net cash provided by investing activities	689,533	1,595,262
FINANCING ACTIVITIES:		
Borrowings from financial institution	1,850,000	1,900,000
Repayment of borrowings from financial institution	(552,521)	(1,508,227)
Capital lease proceeds, net of payments	179,296	-
Net cash provided by financing activities	1,476,775	391,773
Net change in cash and cash equivalents	(581,084)	376,215
CASH AND CASH EQUIVALENTS, beginning of year	1,474,733	1,098,518
CASH AND CASH EQUIVALENTS, end of year	$ 893,649	$ 1,474,733

The accompanying notes to consolidated financial statements are an integral part of these statements.

COMMUNITY TELEVISION FOUNDATION
OF SOUTH FLORIDA, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011
(continued)

	2012	2011
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Change in net assets	$ (4,542,198)	$ 5,235,108
Adjustments:		
Net proceeds from disposal of discontinued operations	-	(5,004,040)
Amortization of program rights	2,131,736	2,249,116
Provision for depreciation	1,408,436	1,347,674
Net unrealized gain on investments	(95,058)	(3,241,050)
Change in present value of annuity obligation	9,475	(37,101)
Accretion of discount on investments	60,516	51,815
In-kind and barter revenue and expense, net	(1,770)	(2,980)
Net realized gain on sale of investments, property and equipment	(480,446)	(18,063)
Program acquisitions	(2,057,626)	(2,164,245)
Changes in assets and liabilities:		
Receivables	(141,306)	756,236
Prepaid expenses and other assets	23,345	34,397
Cash surrender value and premiums receivable on life insurance policies	(12,582)	(13,397)
Accounts payable, accrued expenses and pension liability	1,127,966	(866,566)
Refundable program advances	(177,880)	62,276
Net cash used in operating activities	$ (2,747,392)	$ (1,610,820)

The accompanying notes to consolidated financial statements are an integral part of these statements.

NOTE 1 - ORGANIZATION AND OPERATIONS

Community Television Foundation of South Florida, Inc. (CTF) operates a television station WPBT on Channel 2, televising to the seven-county South Florida service area. WPBT is a noncommercial television station and is affiliated with the Public Broadcasting Service. CTF also produces program features and series for national and international distribution.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation:

The consolidated financial statements include the accounts of CTF, WPBT Communications Foundation, Inc. (WCFI), and WCFI's wholly-owned affiliate, Comtel, Inc. (Comtel), (collectively referred to hereinafter as CTF). All significant intercompany balances and transactions have been eliminated in consolidation.

WCFI was created by the Board of Directors of CTF for the purpose of providing support to CTF and all of its Board of Directors are members of CTF's Board of Directors. WCFI's funding is obtained primarily through contributions, bequests and investment earnings. Comtel is a for-profit entity, which derives revenue primarily from the production of television material for commercial distribution. Contract productions are the primary source of Comtel's revenue.

Basis of presentation:

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CTF are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted - Net assets whose use by CTF is subject to donor-imposed restrictions that can be fulfilled by actions of CTF or that expire by the passage of time.

Permanently restricted - Net assets subject to donor-imposed restrictions, which require that they be maintained permanently by CTF. Generally, the donors of these assets permit CTF to use all or part of the investment return on these assets. Such assets include CTF's permanent endowment funds.

Program broadcast rights:

Program broadcast rights are recorded at the lower of unamortized cost or estimated net realizable value. Program broadcast rights are amortized over the contract period generally using the straight-line method. The estimated cost of program broadcast rights to be charged to operations during the next year has been classified as a current asset.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment:

Property and equipment is stated at cost less accumulated depreciation, except that donated property and equipment used in the normal course of business is stated at its approximate fair value at the date of donation. Depreciation is computed using principally the straight-line method over the estimated useful lives (Note 7) of the assets. Costs of repairs and maintenance are charged to operating expense as incurred; improvements and betterments are capitalized. When items are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gains or losses are credited or charged to operations. It is the Foundation's policy to capitalize all property and equipment assets in excess of $ 800.

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long these donated assets must be maintained, CTF reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time. For the year ended June 30, 2012 and 2011, CTF did not receive any donated property and equipment.

Investments:

All investments in equity and debt securities are measured at fair value. Estimates of fair value are made based on quoted market prices of the related security. Investments consist of United States government securities, mortgage backed securities, debt instruments with high credit quality institutions and marketable equity securities. CTF, by policy, limits the amount of credit exposure to any one counter party.

Investment securities held by WCFI have been classified as long-term assets in the accompanying consolidated statements of financial position because they have been designated by the Board of Directors as a quasi-endowment fund for the long-term support of CTF (Note 3).

Cash and cash equivalents:

CTF considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. CTF maintains cash balances at financial institutions which may, at times, exceed Federally insured amounts.

Contract production and program underwriting:

Contract production revenue is recorded as the related program is aired or when the contract obligation is fulfilled. Revenue for program underwriting is recorded on a prorata basis over the period covered.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions:

Unconditional contributions, including unconditional promises to give are reported as increases in either unrestricted, temporarily restricted or permanently restricted net assets. Other contributions are reported as increases in the appropriate category of net assets, except for those contributions subject to donor-imposed restrictions that are met in the same fiscal year they are received, which are included in unrestricted revenues. Expenses are reported as decreases in unrestricted net assets. Both realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets as net assets released from restrictions and satisfaction of program restrictions in the consolidated statements of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met. CTF had no conditional promises to give as of June 30, 2012 and 2011.

Contribution revenue related to the fair value of interests in an estate is recognized when CTF is notified by the probate court that the related will is valid, unless the amounts and timing of the distributions from the estate are uncertain, in which case the related revenue is recorded upon receipt. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions under split interest agreements are recorded at the fair value of the future interest, taking into account the present value of any related payments to be made to other beneficiaries. Present value computations are made using published Internal Revenue Service mortality tables and a discount rate commensurate with the risk involved at the inception of each individual split interest arrangement. Changes in the present value of annuity obligations are recognized in the consolidated statements of activities and classified by appropriate net asset class to reflect the accretion of interest and changes in mortality assumptions.

In-kind contributions:

In-kind contributions are recorded as revenue and expense in the accompanying consolidated statement of activities. These contributions consist of donated professional services, which are recorded at estimated fair value. The amount of in-kind contributions recognized as revenue and expenses was approximately $ 34,000 during the year ended June 30, 2011.

Barter agreements:

CTF enters into certain barter arrangements whereby CTF receives marketing and advertising services in exchange for on-air credits and acknowledgments. Barter revenue is recognized when the on-air credits and acknowledgments are broadcast, and barter costs when the services are received or used. The amount of barter revenue recognized during the years ended June 30, 2012 and 2011 approximated $ 96,255 and $ 99,300, respectively. The amount of barter expense recognized during the years ended June 30, 2012 and 2011 approximated $ 94,485 and $ 96,300 respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates and assumptions:

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of consolidated financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates and assumptions.

Fundraising appeals:

CTF utilizes various pamphlets, brochures and informational methods to inform the general public of their activities and to solicit funds. These costs are charged to development and marketing.

Date of management review:

Subsequent events have been evaluated through October 22, 2012, which is the date the financial statements were available to be issued.

NOTE 3 - NET ASSETS

Unrestricted net assets include Board-designated quasi-endowment funds, together with interest thereon, which, in accordance with the provisions of the endowment fund established by WCFI for the support of CTF, are required to remain in the endowment investment fund except as follows:

- An annual amount equal to 7% of the total funds in the endowment shall be paid out at the direction of CTF. Eligible funds consist of all unrestricted funds and earnings of the true endowments. At its option, CTF may withdraw the entire 7% in any fiscal year or defer payment thereof until future years.

The net unrestricted assets of the quasi-endowment amounted to $ 4,842,478 at June 30, 2012 and $ 10,502,898 at June 30, 2011, and are classified as Board designated in the accompanying consolidated statements of financial position. CTF elected to withdraw from the quasi-endowment fund, $ 537,638 and $ 462,470, as provided under the endowment's terms, for the years ended June 30, 2012 and 2011, respectively.

Temporarily restricted net assets reflect WCFI's interest in a charitable remainder trust, annuity agreements, and two funds established for specific types of programs. Under the terms of the trust and annuity agreements, WCFI is required to pay the donor, or the donor's designee, an annual return on the underlying assets during their lifetime. Upon the death of the donor or designee, such amounts will revert to WCFI and will be reclassified from temporarily restricted net assets to unrestricted net assets. In 2012 and 2011, CTF used approximately $ 127,710 and $ 80,974 for the purchase of the designated types of programs from the two funds established for specific types of programs.

NOTE 3 - NET ASSETS (continued)

Permanently restricted net assets are assets restricted by the donor to be held in an endowment fund in perpetuity. Investment returns on endowment funds which are required to be added to the related endowment by donor stipulations or by law are also classified as permanently restricted net assets. Investment returns on endowment funds, which are not required to be added to the related endowment are classified as temporarily restricted or unrestricted net assets. CTF received approximately $ 132,700 and $ 302,000 during the years ended June 30, 2012 and 2011, respectively, from the earnings of the true endowment for specific programming purposes. Additionally, CTF received approximately $ 80,897 and $ 78,600 during the years ended June 30, 2012 and 2011, respectively, from the earnings of the Vernon Julianne Trust.

NOTE 4 - INVESTMENTS

Investments at June 30, 2012 and 2011, consist of the following:

	2012	2011
Unrestricted investments:		
Equity funds and corporate and foreign bonds pledged as collateral in connection with the borrowing with financial institution (Note 8)	$ 5,870,454	$ 6,076,908
Equity funds	1,931,130	1,529,807
Corporate and foreign bonds	362,701	907,564
Total unrestricted investments	8,164,285	8,514,279
Restricted investments:		
Investment of endowment funds in equity funds	5,095,575	5,116,195
Investments of endowment funds in corporate and foreign bonds	2,135,458	2,106,610
Investments of gifts of future interest in equity funds	2,601,302	2,772,478
Investment of gifts of future interest, corporate and foreign interest bearing securities and certificates of deposits	2,880,336	2,683,219
Total restricted investments	12,712,671	12,678,502
Total investments	$ 20,876,956	$ 21,192,781

NOTE 5 - FAIR VALUE MEASUREMENT

In accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, WCFI provides certain disclosures based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. ASC No. 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that WCFI has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included with Level 1 that are observable for the investments, either directly or indirectly. (e.g. quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices.)

- Level 3 inputs are unobservable inputs for the investments. (e.g. information about assumptions, including risk, market participants would use in pricing a security.)

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table represents the investments at June 30, 2012 and 2011:

	Level 1	Level 2	Level 3	Total 2012
ASSET CLASS:				
Equities and equity funds	$ 13,178,857	$ -	$ -	$ 13,178,857
Corporate and foreign bonds	-	6,800,091	-	6,800,091
Certificates of deposit	-	898,008	-	898,008
Total	$ 13,178,857	$ 7,698,099	$ -	$ 20,876,956

	Level 1	Level 2	Level 3	Total 2011
ASSET CLASS:				
Equities and equity funds	$ 13,429,314	$ -	$ -	$ 13,429,314
Corporate bonds	-	6,070,761	-	6,070,761
Certificates of deposit	-	999,758	-	999,758
U.S. agency obligations	-	692,948	-	692,948
Total	$ 13,429,314	$ 7,763,467	$ -	$ 21,192,781

NOTE 5 - FAIR VALUE MEASUREMENT (continued)

For the years ended June 30, 2012 and 2011, there were no transfers between Level 1, 2 and 3. The Foundation's policy is to recognize transfers in and out as of the actual date of the event or change in circumstances that caused the transfer.

NOTE 6 – ENDOWMENTS

WCFI has endowed funds established for the support of CTF. The endowment includes both donor restricted endowment funds and funds designated by WCFI to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

The Board of Directors interprets the State of Florida's Uniform Management of Institutional Funds Act (FUMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Investment policies:

The goal of the investment program for the endowment is to provide an annual level of support for the current programs of Community Television Foundation of South Florida, Inc. consistent with the preservation of WCFI's purchasing power over time. Assets held shall be diversified to control the risk of loss resulting from the over-concentration of funds in a specific maturity, issue or type/class of securities.

Spending policies:

WCFI has a policy of appropriating for distribution an amount equal to 7% of the total available funds in the endowment. CTF has the option to withdraw the entire 7% in any fiscal year or defer payment thereof until future years. At the discretion of the Board, WCFI may grant CTF additional funding.

Endowment net asset composition by type of fund as of June 30, 2012 and 2011 is as follows:

	Unrestricted	Permanently Restricted	Total 2012
Donor-restricted endowment funds	$ -	$ 6,775,292	$ 6,775,292
Board-designated endowment funds	5,588,641	-	5,588,641
Total funds	$ 5,588,641	$ 6,775,292	$ 12,363,933

NOTE 6 – ENDOWMENTS (continued)

	Unrestricted	Permanently Restricted	Total 2011
Donor-restricted endowment funds	$ -	$ 6,775,292	$ 6,775,292
Board-designated endowment funds	11,131,593	-	11,131,593
Total funds	$ 11,131,593	$ 6,775,292	$ 17,906,885

Changes in endowment net assets for the fiscal year ended June 30, 2012 and 2011 are as follows:

	Unrestricted	Permanently Restricted	Total 2012
Endowment net assets, at beginning of year	$ 11,131,593	$ 6,775,292	$ 17,906,885
Investment income	301,290	-	301,290
Net depreciation (realized and unrealized)	(44,447)	-	(44,447)
Contributions	525,111	-	525,111
Satisfaction of program restrictions	298,831	-	298,831
Appropriation of endowment assets for expenditure	(6,623,737)	-	(6,623,737)
Endowment net assets, at end of year	$ 5,588,641	$ 6,775,292	$ 12,363,933

	Unrestricted	Permanently Restricted	Total 2011
Endowment net assets, at beginning of year	$ 8,955,844	$ 6,705,277	$ 15,661,121
Investment income	361,793	-	361,793
Net appreciation (realized and unrealized)	2,615,441	-	2,615,441
Contributions	722,183	70,015	792,198
Satisfaction of program restrictions	252,003	-	252,003
Appropriation of endowment assets for expenditure	(1,775,671)	-	(1,775,671)
Endowment net assets, at end of year	$ 11,131,593	$ 6,775,292	$ 17,906,885

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2012 and 2011:

	2012	2011	Estimated Useful Lives in Years
Engineering and production equipment	$ 24,224,035	$ 23,869,374	7
Computer, office furniture and equipment	6,733,548	6,727,621	5-7
Building and improvements	7,526,580	7,347,746	15-30
Transmitter, tower and antenna	6,208,127	6,247,845	15-30
Vehicles	43,006	43,006	3
	44,735,296	44,235,592	
Less accumulated depreciation	37,105,172	35,944,293	
	7,630,124	8,291,299	
Land	599,825	1,205,804	
	$ 8,229,949	$ 9,497,103	

Provision for depreciation is classified as follows in the accompanying consolidated statements of activities:

	2012	2011
Program production, acquisition and delivery	$ 1,394,783	$ 1,333,189
General and administrative	2,540	3,372
Development and marketing	11,113	11,113
	$ 1,408,436	$ 1,347,674

NOTE 8 - BORROWINGS WITH FINANCIAL INSTITUTION

WCFI entered into an agreement with an investment company to borrow against investment holdings. The loan balances at June 30, 2012 and 2011 were $ 1,775,425 and $ 2,005,417, respectively, with interest at 0.5% below the broker-call rate (1.5% at June 30, 2012). The loan is collateralized by investments, with a fair value of $ 3,550,850 and $ 4,010,834 at June 30, 2012 and 2011.

Interest expense, for the years ended June 30, 2012 and 2011 was $ 28,331 and $ 30,745, respectively.

NOTE 8 - BORROWINGS WITH FINANCIAL INSTITUTION (continued)

In 2011, CTF also entered into an agreement with its investment company to borrow against investment holdings. The loan balances at June 30, 2012 and 2011 were \$ 1,623,723 and \$ 1,446,252, respectively, with interest at 0.5% below broker-call rate (1.5% at June 30, 2012).

Interest expense for the years ended June 30, 2012 and 2011 was \$ 24,667 and \$ 8,997, respectively. The loan is collateralized by investments with a fair value of \$ 2,319,604 and \$ 2,066,074, respectively at June 30, 2012 and 2011.

NOTE 9 - COMMUNITY SERVICE AND OTHER GRANTS

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two Federal fiscal years as described in the Communications Act, 47 United States of America Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization date.

According to the Communications Act, funds may be used at the discretion of its recipients. CTF uses these funds for purposes relating to the production and acquisition of programming. Also, the grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

These Community Service Grants are reported in the accompanying consolidated financial statements as unrestricted revenues; however, certain guidelines must be satisfied in connection with the application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, recordkeeping, audits, financial reporting, and license status with the Federal Communications Commission.

The State of Florida Department of Education also distributes annual Community Service Grants to public telecommunications entities in the state. CTF received \$ 434,837 for the year ended June 30, 2011. There were no grants distributed for the year ended June 30, 2012.

NOTE 10 – LINE OF CREDIT

CTF has a line of credit of \$ 1,500,000, which provides for interest on outstanding borrowings at the prevailing prime rate (3.25% at both June 30, 2012 and 2011). The line of credit matures on January 31, 2013, and is subject to renewal on an annual basis. At June 30, 2012 and 2011 the outstanding balance was \$ 1,500,000 and \$ 150,000, respectively. The lender holds a security interest in certain cash deposits and investments maintained with them and the balance is guaranteed by WCFI.

NOTE 11 – SPLIT INTEREST AGREEMENTS

The Foundation accepts gifts subject to split interest agreements. A split interest agreement is created when a donor contributes assets to the Foundation or places them in a trust for the benefit of the Foundation, but the Foundation is not the sole beneficiary of the assets economic value. These gifts are in the form of charitable gift annuities or charitable remainder annuity trusts which provide that the Foundation, as trustee, make payments to designated beneficiaries in accordance with the applicable donor's trust or contractual agreement. At the time of agreement, gifts are recorded at the fair market value of the asset received net of any applicable liability. Liabilities include the present value of projected future distributions to the annuity or trust beneficiaries and are determined using the Internal Revenue Service rate for computing charitable deductions for such gifts in effect at the time of the gift. The present value of the estimated future payments is $ 1,744,879 and $ 1,735,404 at June 30, 2012 and 2011, respectively, using discount rates ranging from 2.7% to 17.8% and applicable mortality tables. On an annual basis, the Foundation reevaluates the amount of estimated future payments. As of June 30, 2012 and 2011, the Foundation reported a change in value of split-interest agreements of $ 9,475 and $ (37,101), respectively. Split interest agreements are recorded as temporarily restricted or permanently restricted depending on donor imposed stipulations. The Foundation holds qualifying assets in excess of the minimum gift annuity reserves required by Florida law. The reserve amount is calculated following assumptions set forth by Florida Statute in Section 627.481(2)(a)1.b.

NOTE 12 - PROGRAM PRODUCTION, ACQUISITION AND DELIVERY

Program production, acquisition and delivery expenses for the years ended June 30, 2012 and 2011, included the following:

	2012	2011
Broadcasting and delivery	$ 3,151,515	$ 3,126,748
Acquired programming	3,189,280	3,366,314
Other program production	2,742,208	2,784,800
Commercial production	216,975	198,723
Total program production, acquisition and delivery	$ 9,299,978	$ 9,476,585

NOTE 13 - EMPLOYEE BENEFIT PLANS

CTF sponsored a noncontributory defined benefit pension plan (the Plan) that covered substantially all of its employees. The Plan was amended effective March 30, 2006 to provide that there will be no further benefits after that date. Benefits previously accrued under the Plan will be preserved, but no additional increases in accrued benefits will occur after that date. Benefits are based on an employee's years of service and earnings during the ten years ending March 30, 2006. In accordance with its present annual funding policy, CTF contributes the minimum amount required by regulations of the Employee Retirement Income Security Act. For the years ending June 30, 2012 and 2011, CTF contributed $ 752,195 and $ 674,540, respectively. CTF expects to contribute a minimum of $ 861,760 to the Plan in 2012-13.

In accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958-715, *Not-for-Profit Entities, Compensation - Retirement Benefits*, CTF recognizes the funded status of a benefit plan, measured as the difference between plan assets at fair value and the benefit obligation, in the balance sheet.

NOTE 13 - EMPLOYEE BENEFIT PLANS (continued)

The following table displays the funding status of the Plan:

	2012	2011
Fair value of Plan assets	$ 9,788,017	$ 11,889,599
Accumulated benefit obligation	(13,971,128)	(14,702,562)
Unfunded liability	$ (4,183,111)	$ (2,812,963)

On behalf of the Board of Directors of Community Television Foundation of South Florida, Inc., the Executive Committee approved an amendment to the Plan for a lump sum offer to a group of terminated vested participants. This involved 117 or approximately 50% of the Plan participants. The buyout of $ 2,497,171 took place as of March 30, 2012. The buyout was taken by 78 participants and six participants elected early annuity payments.

There were benefits of $ 634,970 and $ 542,830 paid during the years ended June 30, 2012 and 2011, respectively. Further, CTF recorded a pension expense of $ 143,550 and $ 415,824 in 2012 and 2011.

Substantially all of the Plan's assets are invested in fixed income debt securities and equities. Asset allocation by asset category based on fair value are as follows:

	2012	2011
Equity securities	40%	60%
Debt securities	60%	40%

The target asset allocation, according to the Plan's investment policy, is 60% for debt securities and 40% for equity securities.

The following assumptions were used to determine the benefit obligation and the net benefit costs:

	2012	2011
Weighted-average assumptions:		
Discount rate to determine benefit obligation	5.0%	6.0%
Discount rate to determine net periodic pension costs	6.0%	6.5%
Expected rate of return on Plan assets	8.0%	8.0%
Mortality table	2000 Combined Healthy Mortality Table	2000 Combined Healthy Mortality Table
Measurement date	6/30/12	6/30/11

NOTE 13 - EMPLOYEE BENEFIT PLANS (continued)

The following table reflects the changes in the pension liability using the above assumptions:

	2012	2011
Pension liability, beginning of year	$ 2,812,963	$ 3,545,104
Contributions	(752,195)	(674,540)
Pension liability adjustment	508,021	(473,425)
Net periodic benefit cost	143,551	415,824
Required recognition of loss as a result of a partial settlement of employee benefit plan	1,470,771	-
Pension liability, end of year	$ 4,183,111	$ 2,812,963

The net periodic benefit cost is calculated as follows:

	2012	2011
Interest cost	$ 861,501	$ 834,918
Net loss amortization	198,288	490,662
Expected return on assets	(916,239)	(909,756)
	$ 143,550	$ 415,824

The estimated future benefit payments that are expected to be paid are as follows:

Years Ending June 30,	
2012-2013	$ 665,980
2013-2014	$ 694,810
2014-2015	$ 749,437
2015-2016	$ 819,796
2016-2017	$ 910,733
2017-2022	$ 5,198,746

CTF has a voluntary tax deferred retirement plan (CTF 401(k) Profit Sharing Plan) (the "Plan") available to substantially all employees in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The Plan allows the participant to make pre-tax contributions up to defined statutory limits. CTF may, at its discretion, make a matching contribution based on a percentage of the participant's Plan contributions. The Plan has a seven-year vesting schedule on the employer matching contribution. CTF did not match contributions to the Plan during the year ended June 30, 2012 and 2011.

NOTE 14 - INCOME TAXES

CTF and WCFI have qualified as nonprofit organizations under Internal Revenue Code Section 501(a) as organizations described in Section 501(c)(3) and are exempt from income taxes. Comtel is organized as a for-profit entity and, as such, is subject to income taxes. Income taxes for Comtel are accounted for using the liability method under which deferred tax liabilities and assets are recognized based on the expected future tax consequences of the differences between the financial statements and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. Comtel did not have a provision or credit for income taxes for the years ended June 30, 2012 and 2011. At June 30, 2012 and 2011, Comtel had a deferred tax asset of approximately $ 331,000 and $ 281,000, respectively, primarily related to net operating loss carryforwards of approximately $ 876,000 expiring through the year 2031. The deferred tax asset has been offset in full by a valuation allowance at June 30, 2012 and 2011 since in the opinion of management, it is more likely than not that the deferred tax asset benefit will not be realized.

NOTE 15 - EMPLOYMENT AGREEMENT

CTF has entered into employment agreements with a former officer (the CTF Agreement and the Comtel Agreement). The CTF Agreement terminated May 14, 2004 upon retirement of the officer. Post-termination health insurance benefits will be provided at 50% of cost for the remainder of the employee's life. In addition, CTF has purchased a life insurance policy for the officer for which CTF is only entitled to receive an amount equal to the premiums paid. As of June 30, 2012 and 2011, the amount approximated $ 367,600, which is included in the cash surrender value and premiums receivable in the accompanying consolidated statements of financial position.

The Comtel Agreement, provides for supplemental retirement benefits in the amount of $ 3,000 per month to the officer or his beneficiaries for a continuous period of 15 years, which began in November 2004. Amounts due under the deferred compensation and supplemental retirement arrangements have been included in deferred compensation payable in the accompanying consolidated statements of financial position.

In connection with its obligations under the Comtel agreement, Comtel has purchased a life insurance policy with a cash surrender value of approximately $ 495,432 and $ 509,000 at June 30, 2012 and 2011, respectively. The cash surrender value of this policy at retirement together with earnings thereon are expected to discharge the obligations in connection with the Comtel Agreement.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

CTF leases equipment which expires in 2016 and a vehicle which expires in 2013. One lease contains a bargain purchase option and is accounted for as a capital lease.

Total rent expense for all operating leases (including facilities and land) amounted to approximately $ 39,910 and $ 54,300 for 2012 and 2011, respectively.

NOTE 16 - COMMITMENTS AND CONTINGENCIES (continued)

Property under the capital lease of $ 187,969, net of accumulated depreciation of $ 17,088 is included in engineering and production. CTF had a land lease for a tower location which expired on February 28, 2012.

Approximate future minimum lease payments at June 30, 2012 and 2011 are as follows:

Years Ending June 30,	Capital Lease 2012	Operating Leases 2012	Operating Leases 2011
2013	$ 45,497	$ 40,953	$ 17,157
2014	45,497	35,915	12,119
2015	45,497	20,520	9,600
2016	45,497	8,455	8,000
Thereafter	17,216	-	-
	199,204	$ 105,843	$ 46,876
Less interest	(19,909)		
	$ 179,295		

NOTE 17 – SALE OF “NIGHTLY BUSINESS REPORT”

On August 13, 2010, CTF sold the television program, “Nightly Business Report” to NBR Worldwide, LLC (NBRW), an unrelated entity. The sale included the intellectual property, certain equipment and the assets and liabilities relating mainly to leased office space for the news bureaus. CTF and NBRW entered into an agreement to continue production of the program out of CTF’s facility.

SUPPLEMENTAL INFORMATION

COMMUNITY TELEVISION FOUNDATION
OF SOUTH FLORIDA, INC. AND AFFILIATES
SUPPLEMENTARY CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION
June 30, 2012

	CTF	WCFI	Eliminating Entries	Consolidated Totals
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 587,554	$ 306,095	$ -	$ 893,649
Receivables, net of allowance for doubtful accounts	213,953	400,178	(141,293)	472,838
Prepaid expenses and other assets	197,993	-	-	197,993
Program broadcast rights, net of amortization	881,032	-	-	881,032
Due from affiliate	766,308	720,164	(1,486,472)	-
Total current assets	2,646,840	1,426,437	(1,627,765)	2,445,512
Other assets	30,583	9,330	-	39,913
Investments	2,463,361	18,413,595	-	20,876,956
Cash surrender value and premiums receivable on life insurance policies	367,605	495,432	-	863,037
Program broadcast rights, net of amortization, noncurrent portion	436,791	-	-	436,791
Property and equipment, net	8,229,949	-	-	8,229,949
Total assets	$ 14,175,129	$ 20,344,794	$ (1,627,765)	$ 32,892,158
LIABILITIES AND NET ASSETS:				
Current liabilities:				
Accounts payable	$ 642,514	$ 433	$ (6,365)	$ 636,582
Accrued expenses	651,931	222	(141,293)	510,860
Current portion of pension liability	861,760	-	-	861,760
Refundable program advances	109,418	40,289	-	149,707
Program broadcast rights payable	73,681	-	-	73,681
Present value of annuity obligations	-	171,953	-	171,953
Due to affiliate, note payable	522,799	766,308	(1,289,107)	-
Line of credit	1,500,000	-	-	1,500,000
Capital lease payable	37,694	-	-	37,694
Total current liabilities	4,399,797	979,205	(1,436,765)	3,942,237
Borrowings with financial institution	1,623,723	1,775,425	-	3,399,148
Deferred compensation payable	-	228,476	-	228,476
Present value of annuity obligations	-	1,572,926	-	1,572,926
Pension liability, due beyond one year	3,321,351	-	-	3,321,351
Notes payable, due beyond one year	191,000	-	(191,000)	-
Program broadcast rights payable, due beyond one year	29,025	-	-	29,025
Capital lease payable, due beyond one year	141,601	-	-	141,601
Total liabilities	9,706,497	4,556,032	(1,627,765)	12,634,764
Net assets:				
Unrestricted:				
Board designated	-	4,842,478	-	4,842,478
Undesignated	4,468,632	-	-	4,468,632
Temporarily restricted	-	4,170,992	-	4,170,992
Permanently restricted	-	6,775,292	-	6,775,292
Total net assets	4,468,632	15,788,762	-	20,257,394
Total liabilities and net assets	$ 14,175,129	$ 20,344,794	$ (1,627,765)	$ 32,892,158

COMMUNITY TELEVISION FOUNDATION
OF SOUTH FLORIDA, INC. AND AFFILIATES
SUPPLEMENTARY CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	CTF	WCFI	Eliminating Entries	Consolidated Totals
CHANGE IN UNRESTRICTED NET ASSETS:				
Revenues, gains (losses) and other support:				
Contract productions	$ 1,645,741	$ 462,494	$ -	$ 2,108,235
Contributions and bequests	10,103,500	525,111	(5,878,946)	4,749,665
Satisfaction of program restrictions	-	298,831	-	298,831
Corporation for Public Broadcasting:				
Community Service Grant	1,670,446	-	-	1,670,446
Capital and Other Federal Grants	82,010	-	-	82,010
State of Florida Department of Education:				
Capital Grants	169,000	-	-	169,000
Program underwriting	987,292	-	-	987,292
Interest income	83,833	323,609	(11,777)	395,665
Other	649,655	-	(444,781)	204,874
Gain on sale of property	400,942	-		400,942
Net realized gain (loss) on sale of investments	30,612	(4,444)	-	26,168
Net unrealized gain (loss) on investments	78,435	(40,003)	-	38,432
Total revenues, gains (losses) and other support	15,901,466	1,565,598	(6,335,504)	11,131,560
OPERATING EXPENSES:				
Program production, acquisition and delivery	9,299,174	405,325	(404,521)	9,299,978
Development and marketing	2,588,951	567,963	-	3,156,914
General and administrative	1,324,393	335,741	(40,260)	1,619,874
Interest expense	100,051	38,043	(11,777)	126,317
Contribution to affiliate	-	5,878,946	(5,878,946)	-
Total operating expenses	13,312,569	7,226,018	(6,335,504)	14,203,083
NONOPERATING EXPENSES:				
Required recognition of loss as a result of a partial settlement of employee benefit plan	(1,470,771)	-	-	(1,470,771)
Change in unrestricted net assets	1,118,126	(5,660,420)	-	(4,542,294)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:				
Contributions and bequests	-	39,600	-	39,600
Interest income	-	148,301	-	148,301
Net unrealized gain on investments	-	56,627	-	56,627
Change in present value of annuity obligations	-	1,064	-	1,064
Net assets released from restrictions	-	(298,831)	-	(298,831)
Net realized gain on sale of investments	-	53,335	-	53,335
Change in temporarily restricted net assets	-	96	-	96
Change in net assets	1,118,126	(5,660,324)	-	(4,542,198)
PENSION LIABILITY ADJUSTMENT	(508,021)	-	-	(508,021)
NET ASSETS, beginning of year	3,858,527	21,449,086	-	25,307,613
NET ASSETS, end of year	$ 4,468,632	$ 15,788,762	$ -	$ 20,257,394

COMMUNITY TELEVISION FOUNDATION OF SOUTH FLORIDA, INC. AND AFFILIATES

SUPPLEMENTARY CONSOLIDATING SCHEDULE - STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012

	CTF	WCFI	Eliminating Entries	Consolidated Totals
OPERATING ACTIVITIES:				
Cash received from supporters and customer	$ 14,853,998	$ 970,487	$ (6,323,727)	$ 9,500,758
Interest received	122,952	441,232	(11,777)	552,407
Interest paid	(100,051)	(28,331)	11,777	(116,605)
Cash paid to acquire programs	(2,057,626)	-	-	(2,057,626)
Cash paid for support services, to suppliers and employees	(9,983,982)	(6,966,071)	6,323,727	(10,626,326)
Net cash provided by (used in) operating activities	2,835,291	(5,582,683)	-	(2,747,392)
INVESTING ACTIVITIES:				
Net proceeds from sale of land	1,073,185	-	-	1,073,185
Cash received from sales or maturities of investments	21,023	1,844,474	-	1,865,497
Cash paid for property and equipment	(813,525)	-	-	(813,525)
Cash paid for investments	-	(1,435,624)	-	(1,435,624)
Repayments from affiliate	-	5,508,464	(5,508,464)	-
Loans to affiliates	-	(200,000)	200,000	-
Net cash provided by (used in) investing activities	280,683	5,717,314	(5,308,464)	689,533
FINANCING ACTIVITIES:				
Borrowings from financial institution	1,650,000	200,000	-	1,850,000
Repayment of borrowings from financial institution	(122,529)	(429,992)	-	(552,521)
Borrowings from affiliate	200,000	-	(200,000)	-
Repayments of borrowings from affiliate	(5,508,464)	-	5,508,464	-
Capital lease proceeds, net	179,296	-	-	179,296
Net cash provided by (used in) financing activities	(3,601,697)	(229,992)	5,308,464	1,476,775
Net decrease in cash and cash equivalents	(485,723)	(95,361)	-	(581,084)
CASH AND CASH EQUIVALENTS, beginning of year	1,073,277	401,456	-	1,474,733
CASH AND CASH EQUIVALENTS, end of year	$ 587,554	$ 306,095	$ -	$ 893,649

COMMUNITY TELEVISION FOUNDATION OF SOUTH FLORIDA, INC. AND AFFILIATES
SUPPLEMENTARY CONSOLIDATING SCHEDULE - STATEMENT OF CASH FLOWS
(continued)
For the Year Ended June 30, 2012

	CTF	WCFI	Eliminating Entries	Consolidated Totals
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Change in net assets	$ 1,118,126	$ (5,660,324)	$ -	$ (4,542,198)
Adjustments:				
Amortization of program rights	2,131,736	-	-	2,131,736
Provision for depreciation	1,408,436	-	-	1,408,436
Net unrealized gain on investments	(78,434)	(16,624)	-	(95,058)
Change in present value of annuity obligation	-	9,475	-	9,475
Accretion of discount on investments	39,119	21,397	-	60,516
In-kind and barter revenue and expense, net	(1,770)	-	-	(1,770)
Net realized gain on sale of investments, equipment and property	(431,554)	(48,892)	-	(480,446)
Program acquisitions	(2,057,626)	-	-	(2,057,626)
Changes in assets and liabilities:				
Receivables	(230,930)	(148,887)	238,511	(141,306)
Prepaid expenses and other assets	16,836	6,509	-	23,345
Cash surrender value on life insurance policies over deferred compensation payable	-	(12,582)	-	(12,582)
Accounts payable, accrued expenses and pension liability	1,139,521	(392)	(11,163)	1,127,966
Refundable program advances	(218,169)	40,289	-	(177,880)
Due to affiliate	-	227,348	(227,348)	-
Net cash provided by (used in) operating activities	$ 2,835,291	$ (5,582,683)	$ -	$ (2,747,392)

INTERNAL CONTROLS AND COMPLIANCE

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Community Television Foundation
of South Florida, Inc. and Affiliates
Miami, Florida

We have audited the consolidated financial statements of Community Television Foundation of South Florida, Inc. and Affiliates (the "Foundation") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of the Foundation in a separate letter dated October 22, 2012.

This report is intended solely for the information and use of the Board of Directors, Audit Committee, management, the Auditor General of the State of Florida and the State of Florida Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
October 22, 2012